

MAINE INCOME TAX WITHHOLDING — PERCENTAGE METHOD — 2000

If you use the percentage method to compute Maine Income Tax Withholding, use the following steps:

Step 1 — Convert total wages to annual wage amount. Multiply by the payroll frequency: 52 for weekly, 26 for biweekly, 24 for semimonthly, 12 for monthly, 260 for daily or miscellaneous payroll period.

Step 2 — Multiply the number of withholding allowances the employee claims by \$2,850. Subtract the result from the annualized wage amount calculated in step 1 to compute the annualized income.

Step 3 — Compute the annualized tax amount using the following tax rate schedules based on the annualized income computed in step 2.

NOTE: A Low-Income Credit was enacted in 1997 that allows a credit for the amount of tax otherwise imposed on an individual whose Maine taxable income is \$2,000 or less. If the annualized tax amount computed in Step 3 is \$40 or less, the credit applies. In that case, change the withholding amount to zero for the pay period.

For Single Taxpayers

If the annualized income is:

Less than	\$ 1,450
\$ 1,450 but less than	\$ 5,600
\$ 5,600 but less than	\$ 9,700
\$ 9,700 but less than	\$17,950
\$17,950 or more	

The annualized tax is:

0%	
2% of excess over	\$ 1,450
\$ 83 plus 4.5% of excess over	\$ 5,600
\$ 268 plus 7% of excess over	\$ 9,700
\$ 846 plus 8.5% of excess over	\$17,950

For Married Taxpayers with One Income

If the annualized income is:

Less than	\$ 4,350
\$ 4,350 but less than	\$12,600
\$12,600 but less than	\$20,850
\$20,850 but less than	\$37,350
\$37,350 or more	

The annualized tax is:

0%	
2% of excess over	\$ 4,350
\$ 165 plus 4.5% of excess over	\$12,600
\$ 536 plus 7% of excess over	\$20,850
\$1,691 plus 8.5% of excess over	\$37,350

Optional for Married Taxpayers with Two Incomes

If the annualized income is:

Less than	\$ 2,175
\$ 2,175 but less than	\$ 6,300
\$ 6,300 but less than	\$10,425
\$10,425 but less than	\$18,675
\$18,675 or more	

The annualized tax is:

0%	
2% of excess over	\$ 2,175
\$ 83 plus 4.5% of excess over	\$ 6,300
\$ 268 plus 7% of excess over	\$10,425
\$ 846 plus 8.5% of excess over	\$18,675

Step 4 — Divide the annualized tax amount computed in step 3 by the payroll frequency used in step 1 and round to the nearest dollar. The result is the amount of Maine income tax to be withheld from the payment being made.

Example 1: A single employee is paid \$165 for the week. He has in effect a Form W-4ME claiming two withholding allowances. Using the percentage method, compute his withholding as follows:

(1) Gross pay of \$165 x 52 weeks = \$8,580.

(2) Compute taxable income:

2 allowances x \$2,850 =	\$5,700
Annualized wage	\$8,580
Allowances	- <u>5,700</u>
Annualized Taxable Income	\$2,880

(3) Compute annualized tax amount:

	<u>Rate</u>	<u>Tax</u>
\$2,880		
- <u>1,450</u>	See Schedule	\$ 00
\$1,430	x 2%	<u>29</u>
Annualized Tax Amount		\$ 29

See Note under step 3. Because the annualized tax amount is less than \$40, this taxpayer qualifies for the low-income credit for this week. Therefore, the amount to be withheld for the week is zero.

Example 2: A single employee is paid \$475 for the week. He has in effect a Form W-4ME claiming two withholding allowances. Using the percentage method, compute his withholding as follows:

(1) Gross pay of \$475 x 52 weeks = \$24,700.

(2) Compute taxable income:

2 allowances x \$2,850 =	\$5,700
Annualized wage	\$24,700
Allowances	- <u>5,700</u>
Annualized Taxable Income	\$19,000

(3) Compute annualized tax amount:

	<u>Rate</u>	<u>Tax</u>
\$19,000		
- <u>17,950</u>	See Schedule	\$846
\$ 1,050	x 8.5%	<u>89</u>
Annualized Tax Amount		\$935

(4) Annualized tax of \$935 divided by 52 = \$17.98 rounded to \$18. Withhold \$18 for the week.

NOTE: If the payment involved is subject to flat rate federal withholding, flat rate state withholding of 5% must be withheld. Multiply the amount of payment by 5% to compute the amount of tax to withhold. Do not use the above steps.